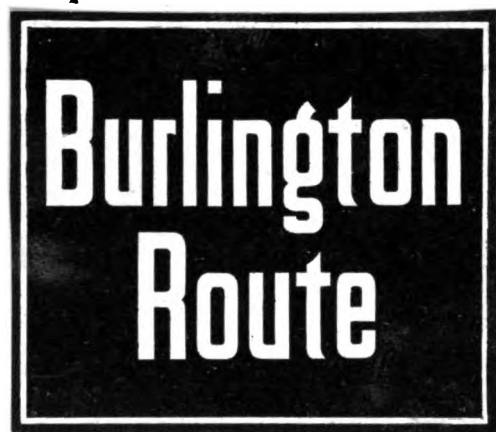


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HISTORY OF THE  
CHICAGO, BURLINGTON, AND QUINCY RAILROAD

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This thesis has been prepared at Indiana University under the direction of Professors Thomas S. Luck and James E. Moffat in compliance with the requirements of the School of Commerce and Finance for the Degree of Bachelor of Science.

The writer is greatly indebted to the professors for the guidance and helpful criticisms that were given in preparing this thesis. Acknowledgement is due and gratefully made to Mr. W.W. Baldwin, vice-president of the Burlington railroad, for the valuable information given both in personal interviews and statistics.

A handwritten signature in dark ink, reading "Gerald Wesley Hubbart". The signature is written in a cursive style with a horizontal line underneath the name.

Gerald Wesley Hubbart.  
July 1922.



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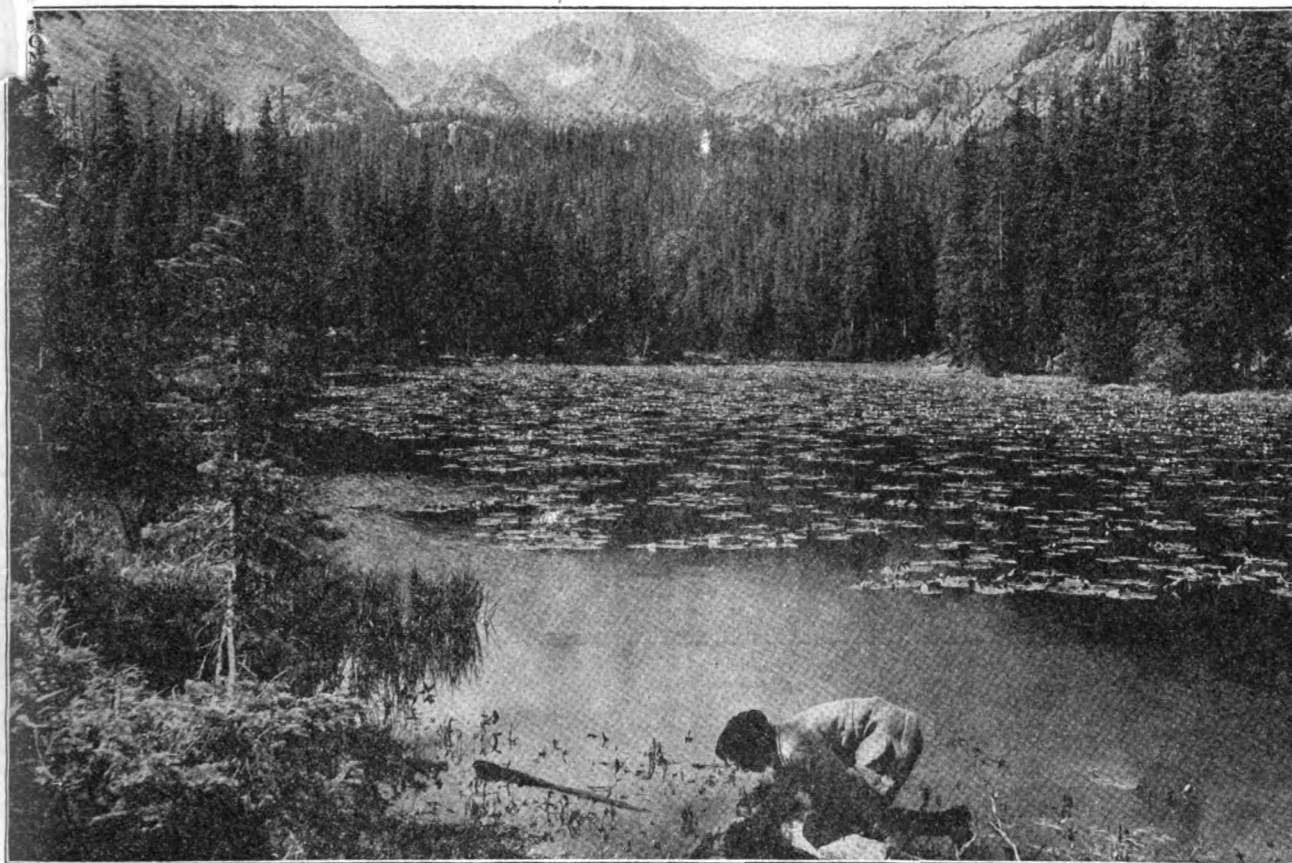
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## Lily Pads on Snow Waters—Rocky Mountain National Park

Rocky Mountain National Park has been referred to as "A marvelous grouping of gentleness and grandeur; an eloquent, wordless hymn, sung in silent, poetic pictures; a wilderness mountain world of groves and grass plots, crags and canyons, rounded lakes with shadow-matted shores that rest in peace within the purple forest. There are wild flowers of every color, and many a silken meadow edged with ferns. Brokenness and beauty, terrace upon terrace, a magnificent hanging wild garden. Over these terraces waters rush and pour. From ice-sculptured, snow-piled peaks, young and eager streams leap in white cascades between crowding cliffs and pines. Through this wildness winds the trail, with its secrets of the centuries, where adventures come and go, and where the magic camp fire blossoms in the night."

By all means, elect to spend your 1922 vacation in this easy-to-reach-and-to-see mountain playground. And, remember, it costs no more to travel "Burlington."





## The Wonder Spot of America

Yellowstone Park is the Greatest Show on Earth—and in Gardiner—out Cody is big vacation value of 1922—the Golden Anniversary of the Park. If you don't see Cody Road—through the Buffalo Bill country—you don't see Yellowstone. A pioneer's trail blazed through a region primeval, the Call of the West is insistently audible here. Stretching through the gigantic Canyon (Shoshone River)—shown above, past an irrigation dam higher than the New York Flatiron Building, through the National Forest and across the Absaroka Range through a colossal cleft (Sylvan Pass), and associated, as it is, with Indian Battlefields and Old-Time Frontier Days, the Cody Road holds a peculiar and romantic interest. It traverses a region of large distances, gigantic mountain peaks, green sloped and snow-capped, heaped closely together, apparently in inextricable confusion, and over all this wildness a soft and picturesque beauty which is one of its great charms. Before you plan, get the facts from a Burlington representative—then decide. It costs no more to travel "Burlington"—Anywhere West.

THE HISTORY OF THE  
CHICAGO, BURLINGTON AND QUINCY RAILROAD.

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CHAPTER ONE .

THE EARLY HISTORY.





CHAPTER ONE  
THE EARLY HISTORY ...

If a medal were to be given to the railroad that has secured the most publicity in the last few months, there would be little doubt that the unanimous decision would be in favor of the Chicago, Burlington and Quincy Railroad.

A certain railroad executive has suggested that the factors which determine whether a railroad will be successful or not, are chiefly three: the strategic position of the system; its physical characteristics and the management and organization of the road. The Burlington, as the C.B. & Q. Railroad is commonly known, is ranked in class A in all three of these points and is at present a criterion before the public of what a railroad should be.

The history of the entire Burlington system to be complete must tell of the chartering and organization of over two hundred separate and distinct railroad companies, many of them in the course of construction at the same time.<sup>(1)</sup> There never has been a complete history of each of the roads published; and as there has been so many reorganizations and changes in the corporate names it is very difficult to trace each branch to its parent company. Mr. W.W. Baldwin, one of the present

(1) The Making of the Burlington; p. 20  
W.W. Baldwin, 1921.





vice presidents, has written a complete history and will have it published soon.

The development of the Burlington was accomplished by the promoters of the Michigan Central Railroad, John Murray Forbes and his associates. Forbes had made a large fortune in the mercantile business in China and when he was only twenty-four years old he returned to Boston and became a private banker.<sup>(1)</sup> He was induced to invest money in the Michigan Central by John W. Brooks, an engineer who was then the superintendant of the Auburn and Rochester Railroad. The Michigan Central had cost the state of Michigan over five millions, but in 1845 the syndicate, formed by Forbes, Brooks and Joy, (a lawyer from Detroit) purchased it for two million. This line extended from Detroit to Kalamazoo, about 145 miles (this was 56 miles to the nearest point on Lake Michigan). In the Spring of 1849 the line was completed from Detroit to New Buffalo, on Lake Michigan. This left a distance of 65 miles to Chicago, which was completed and open for regular through service on May 21, 1852, one day ahead of the first through train on their rival system, the Michigan Southern.

The conditions in the West were bad at this time, due to a great extent to the lack of transportation and markets. The Government was offering this western land at a very low price and immigrants were pouring in from England and Central Europe. Forbes saw the distinct advan-



tage that the pioneer railroads from Chicago westward across Illinois, Iowa and Nebraska would enjoy in determining where these people would settle and later the commerce from these sections. He saw that with adequate transportation facilities the price of the western grain would be lower when it reached the eastern ports and by citing this fact to the European capitalists he was able to secure large loans ( which will be explained in a later chapter). There had been very little internal improvements made in Illinois since the panic of 1837. Much of the "\$1.25 land" was unsalable, chiefly on account of the lack of transportation. (1) In 1850 the State of Illinois made some important land grants to the Illinois Central Railroad, and to other roads(which will be explained in a later chapter).

It was therefore the vision of Forbes, and his economic knowledge of the country, that was responsible for the decision of the Michigan Central Directors to build further into the western country. In a meeting that was held in Chicago in the early part of 1852 ( even before their road had been completed to Chicago) it was decided to look into Illinois charters and make plans for a system that would extend to the Mississippi River.(2) The Michigan Southern had already started construction of the Chicago and Rock Island Railroad and was making remarkably fast progress, covering a distance of 181 miles to the Mississippi River in 22½ months.

(1) " An American Railroad Builder"; Pearson.

(2) Corporate History of Burlington in "The Making of The Burlington", Baldwin.



They had little trouble in locating a charter that looked good to them. It was for the Chicago and Aurora Railroad, and thirteen miles had been constructed; from Aurora to Turner Junction. This road was in the hands of local capitalists who were unable to finance it and were quite willing to sell out. They had reorganized the Aurora Branch Rail Road and had changed the name to the Chicago and Aurora Railroad. This line from Aurora to Turner Junction was started in December 1849 and was completed and open for traffic on September 2, 1850.(1)

The original charter of the road, given by a Special Act of the Illinois Legislature on February 12, 1849, read, "To maintain and continue a railroad with a single or double track, with such appendages deemed necessary for the convenient use of the same." To make this charter, and others which they intended to secure later, acceptable to eastern capitalists, certain amendments were secured at a special session of the legislature in June 1852. This placed the road on an equal with the Illinois Central in the matter of clear possession of rights to establish rates for passengers and freight.

Forbes was very enthusiastic about the enterprise

(1) Corporate documents of the Burlington Railroad contained in the history on file in their General Offices.



as can be seen by a letter to a friend in the East: "It looks to me very well; but I have not had time to examine it closely, and if I take it, it will be following the lead of Brooks, Corning and other men who ought to know.... It is the Aurora R.R., which is to travel from the Galena, 30 miles west of Chicago, and run westward to the Illinois Central ... 44 plus 13 equals 57 miles, where it will meet one or more roads projected from the Mississippi and get their contributions, as well as the traffic from the Illinois Central from the south and north for the east. It runs through a fertile and easy country to build, and has no expensive ends, as it runs over the Galena to Chicago under a favorable contract for thirty years.... Only \$90,000. is reserved for New York and Boston and I think will go like hot cakes, even if it does burn the taker's fingers ! (1)

This line from Aurora westward to Mendota, a distance of 44 miles, was started in the summer of 1850 and was open for operation on October 20, 1853. These 57 miles were operated as a unit under the name of the Chicago and Aurora Rail Road until December 14, 1855 when a Special Act of the Illinois Legislature changed the name to the Chicago, Burlington and Quincy Railroad. (2)

(1) "An American Railroad Builder"; Pearson.

(2) Corporate Documents of W.W. Baldwin.





This company did not make any new construction but obtained the trackage rights with the Central Military Tract Railroad Company for the use of their line from Mendota westward to Galesburg from March 17, 1855 to July 9, 1856.

Some business men living in Peoria and other men with capital from the East had obtained a charter in 1851 for the construction of a railroad to run from Peoria westward in "the most eligible course" to Oquawka, a few miles up the river from Burlington Iowa. This route was decided to go through Farmington, about 12 miles south of Galesburg. This caused much dissatisfaction among the business men and other citizens of Galesburg as it was certain to ruin their city. So it was decided to charter a railroad of their own and connect with any railroad that would be built leading to Chicago.<sup>(1)</sup> This is how the Central Military Tract road happened to be constructed and it proved to be a very vital factor in the later successes of the Burlington system.

This road was incorporated by a Special Act of the Illinois Legislature on June 19, 1852 and had the right to "build, commencing at Galesburg, in the county of Knox,

(1) "The Making of the Burlington"; Baldwin.



and running in a northeasterly direction on the most direct and eligible route to Chicago"...It was organized at Henderson, a short distance from Galesburg. The construction commenced at Mendota early in the summer of 1852 and it was completed and placed in operation to Galesburg, a distance of  $79\frac{1}{2}$  miles on December 7, 1854.(1)

The financing of the Central Military Tract Railroad and the Peoria and Oquawka Railroad was aided by Forbes, Brooks, Joy and their associates, and it was later stated by them that it would have been impossible for them to have finished their road without this aid. At the same time the Central Military Tract road was completing their line, the Peoria and Oquawka pushed construction westward from Galesburg to the Mississippi River ( they had ammended their charter so they could connect with the western termini of the Central Military Tract lines).(2)

On November 6, 1861, Joy and Brooks as trustees, deeded to the Burlington all of the railroad property of the Jacksonville and Savanna Railroad. This was an uncompleted road from Yates City (Ill.) to four miles south of Canton. Also a portion of the uncompleted road four miles south of Canton to Lewiston. Both of these roads were completed

Records  
(1) Corporate/ of the Burlington Offices.

(2) Data given in notes of Mr. W.W.Baldwin's.



and consolidated with the Chicago, Burlington and Quincy on June 24, 1864.

The Northern Cross (chartered in 1849 under the name of the Quincy and Chicago Railroad, extending a hundred miles, from Galesburg to Quincy) was purchased by the Burlington at a foreclosure sale on April 28, 1864 and the construction was completed the same year.

It was found advisable at this time to build a line directly from Aurora to Chicago as the Chicago Terminals with the Galena road( now the Chicago and Northwestern) were inadequate. This line, 36 miles long was finished and open for operation on May 20, 1864.<sup>(1)</sup>

On June 24, 1864 all of the branches were consolidated with the Chicago, Burlington and Quincy Railroad Company, making the total mileage of the system total 397 miles. In addition to this the company had a one-quarter interest in the "St. Charles Air Line" and this later proved very important. This was not a corporation, but a tract of land and a bridge over the Chicago River, with tracks, "owned in fee simple jointly by the Chicago and Northwestern; the Illinois Central; the Michigan Central and the Chicago, Burlington and Quincy." It was only .71 mile long but the direct connection with the Michigan Central and terminal facilities at the foot of Randolph street were very valuable.



At the same time that these Illinois branch lines were in the course of construction there were two other lines that were being financed by the "Forbes-Joy-Brooks' Syndicate" and which later formed an important link in the Burlington system.<sup>(1)</sup> They were the Hannibal and St. Joseph Railroad and the Burlington and Missouri River Rail Road Company.

The Hannibal and St. Joseph had procured a charter from the state of Missouri in 1847 and had later consolidated with three other branch lines; the Quincy and Palmyra; the Kansas City, Galveston and Lake Superior and the Kansas City, and Cameron. There had been very little construction on these lines and only by the aid of the Burlington stockholders, who subscribed heavily to the bond issue, was the line completed to St. Joseph in 1859. This line had a total mileage of 206 miles, and connected with the Burlington (formerly the Northern Cross road) at Quincy. Although the Burlington had trackage rights and through service over this line from the date of its completion, it did not have a lease or any control until July 1, 1900.<sup>(2)</sup> Then it was leased for twenty-five years and purchased by deed on January 1, 1901.

The Burlington and Missouri River Rail Road was organized by local people at Burlington in January 1852. It was incorporated under the General laws of Iowa by articles

(1) The Making of the Burlington; Baldwin.

(2) History of the B. and M. R.R. on file in the Burlington Offices.





dated January 15, 1852, stating, "The object of this corporation is to construct and use a railroad extending from Burlington to the most eligible point on the Missouri River, and along the most eligible routes." The corporation was most fortunate in receiving a Government land grant of 389,989 acres of the best land in Iowa and this aided in strengthening their financial status a great deal. This was obtained by the aid of James W. Grimes, a promising young lawyer from Burlington, who was also a director of the Peoria and Oquawka Railroad. They began construction in 1854, but it took three years to complete 35 miles to Skunk River and it was not until the Burlington interests gave their support that it was extended to Ottumwa, in 1859.<sup>(1)</sup>

The record of the construction of the Burlington and Missouri River Rail Road, as kept in the corporate history of the road is:

FROM	TO	MILEAGE	COMPLETED
Burlington -	Skunk River	35.22	June 17, 1857 .
Skunk River-	Fairfield	15.79	August 1, 1858.
Fairfield -	Agency City	18.65	February 1, 1859.
Agency City-	Ottumwa	35.32	September 1, 1859.
Ottumwa -	Albia	24.79	November 1, 1859.
Albia -	Russell	23.08	June, 1, 1860.
Russell -	Chariton	7.5	April 19, 1867.
Chariton -	Woodburn	16.	July 1, 1867.



FROM	TO	MILEAGE	COMPLETED
Woodburn	Osceola	10.37	December 23, 1867.
Osceola	Afton	23.99	January 29, 1868.
Afton	Cromwell	15.22	September 10, 1868.
Cromwell	Corning	15.73	June 1, 1869.
Corning	Villisca	14.	August 23, 1869.
Villisca	Red Oak	15.74	September 28, 1869.
Red Oak	E. Plattsburgh	38.40	January 1, 1870.

Branch Lines:

Red Oak	Hamburg	39.17	August 1, 1870.
Near - Fairfield	Batavia	9.15	No record of the completion of this line. It was deeded to the Burlington in the fall of 1900 from the Fairfield and Ottumwa Railroad.
Frederick	Tower #307	14.97	No record. ( This was purchased from the Chillicothe and Chariton Railroad Company in December 1901. The main reason that three companies were organized was to secure a better alignment and grade for the main line; the old one being abandoned. This made the total mileage of the B. & M. R. railroad in Iowa, 321 miles.

The situation of the Burlington at the outbreak of the Civil War was very bright. The connections with the western roads made the traffic to Chicago much heavier and the through service was more reliable than that of competing roads. As will be seen by the table of construction, there was no building on the Burlington and Missouri River road during the War, but it was continued soon after and was completed to the Missouri River in 1870. This whole line was leased to the



Burlington on December 12, 1872 and was sold, and, the deed conveyed, on July 31, 1875.

Congress had passed an act in 1864 authorizing the Burlington and Missouri River Railroad, which then only extended as far west as Ottumwa, to build on into Nebraska and make a connection with the Union Pacific at Kearney. Along with this charter came land grants in Nebraska amounting to 2,300,000 acres. This aid was given in order to get a trans-continental road and in this manner open up the Pacific States for eastern capital. The B. & M.R. R.R. was unable to raise money enough for this extension and it was not until 1869 that the Burlington and Missouri River Railroad of Nebraska was organized. This road was also financed by Forbes, Perkins, (a young man from Burlington) and their Boston associates. This road was completed through to Kearney in 1872, just a year before the disastrous panic that caused many failures to the western branch lines. Much credit should be given Forbes for his good management as the financial standing of the Burlington was not impaired and strengthened if anything as the other roads were failing.

For several years after the panic of 1873 there was very little work done in the way of railroad extension. Seven years later marks the beginning of an era of prosperity for the Burlington, under the leadership of Forbes and Perkins. The Burlington and Missouri River lines in Nebraska was extended to Denver in 1882 and hundreds of connecting lines were constructed.



The Hannibal and St. Joseph Railroad had extended down to Kansas City in 1867 and a bridge was built across the Missouri River at this point. This gave the Burlington system a firm hold on the traffic westward from Chicago, both into Missouri and across Iowa.

The progress for the several years following was mainly in the acquisition of branch lines in Iowa, Illinois and Nebraska. To give the history of each and in the order of their acquisition would be uninteresting and would result in many repetitions, so I will take it by districts.

The proprietary companies East of the Mississippi River(not previously named) which have been leased and later purchased to form an integral part of the present system, are:

1. Ottawa, Oswego and Fox River Valley Railroad Company, purchased on June 1, 1899.

2. The Illinois Grand Trunk:

- (a) Comanche, Albany and Mendota Rail Road Company.
- (b) Joliet and Terre Haute Rail Road Company.
- (c) Illinois Grand Trunk Rail Road Company.

These three roads were consolidated on June 1, 1859 and operated by the Illinois Grand Trunk Rail Road Company, granting trackage rights to the Burlington, until June 1, 1899, when the latter company purchased it.

3. Western Air Line Railroad Company, purchased by the Burlington on June 1, 1899. Trackage rights had been obtained several years before. (All of the following roads were bought at the same date as this).





4. The Dixon and Quincy Rail Road Company.
5. The Dixon, Peoria and Hannibal Rail Road Company.
6. The Carthage and Burlington Railroad Company.
7. The Quincy and Warsaw Railroad.
8. The Quincy, Alton and St. Louis Railway Company.
9. The Chicago and Iowa Rail Road Company.
10. The Chicago and Rock River Rail Road Company.
11. Illinois Valley and Northern Rail Road Company.
12. Joliet, Rockford and Northern Rail Road Company.
13. Galesburg and Rio Railroad Company.
14. Fulton County Narrow Gauge Railroad Company. This company bought the Fulton County Extension Railway Company and it was changed to a standard gauge railroad in October 1905. It was purchased by the Burlington on December 1, 1908.
15. St. Louis, Rock Island and Chicago Rail Road Company.
  - (a) The Rock Island and Alton Rail Road Company.
  - (b) The St. Louis, Alton and Rock Island Railroad Company.
  - (c) The Rockford, Rock Island and St. Louis Rail Road Co.
  - (d) The Orion and Minersville Railroad Company.
16. The Jacksonville and St. Louis Railroad Company.
  - (a) The Illinois Farmer's Railroad Company.
  - (b) The Jacksonville, Northwestern and Southeastern Ry.
  - (c) The Jacksonville, Louisville and St. Louis Railroad.
  - (d) Jacksonville and Concord Railway Company.
17. Fenton and Thomson Rail Road Company. This line was leased for twenty-five years in 1905 and purchased by deed on



March 1, 1906.

18. The Northern and Southern Illinois Railroad Company; purchased by the Burlington on December 1, 1908.

19. The Herrin and Southern Illinois Railroad Company; purchased on October 29, 1914.

20. The Franklin and Waverly Railroad Company; deeded to the Burlington on March 23, 1917.

21. The Centralia and Sandoval Railroad; purchased by the Burlington on March 23, 1917.

The history of several of these branches will be important to note because of their connection with the main line and the part they play as "main feeders" to the main line:

The Peoria and Hannibal Rail Road was incorporated by a Special Act of the Illinois Legislature on February 11, 1853, "to run from the town of Macomb to Vermont." This charter was amended in the following year to extend from Vermont to Rushville, instead of only to Bath, a distance of 42.6 miles. The railroad constructed under this charter and by this corporation was never operated by any company excepted the Burlington. First there was a contract and a conveyance of property on April 20, 1868, and later a confirmatory deed (June 1, 1899) which conveyed the corporate rights and franchises to the Burlington.

The St. Louis, Rock Island and Chicago Rail Road is another branch line that is profitable and increasing in value all of the time. It was formed by a consolidation of four branch lines (mentioned on page 14). First, the St. Louis, Alton and Rock Island



Railroad was incorporated by a Special Act of the Illinois Legislature on February 14, 1855. It was authorized "to run from Rock Island, over the most practical route to Macomb; thence to Rushville; thence to Winchester, in Greene County." An amendment, two years later, gave the right: "in event the said corporation shall not be able, by consolidation, or other wise to make a satisfactory arrangement for the running of cars from White Hall to Illinoistown ( now called East St. Louis) it shall have the right to locate construct, complete and operate an extension of the present route; a railroad from White Hall, by the most eligible route to Illinoistown." This venture proved unsuccessful for the promoters so they sold the entire property and charter rights to the Rockford, Rock Island and St. Louis Railroad on October 8, 1868. (1)

The Rockford, Rock Island and St. Louis Railroad was incorporated on February 16, 1865 and was authorized "to construct a railroad commencing at the city of Rockford; thence by the most practical route, by the way of Sterling and the city of Rock Island, to some point on the east bank of the Mississippi River, opposite the city of St. Louis. Also, to connect or consolidate with any other railroad, constructed or which might be constructed in the state." This line was sold to the St. Louis, Rock Island and Chicago Railroad on May 18, 1876 and was operated by that company for about a year, at which time it was leased to the Burlington. It was later sold to that company on January

(1) Data received in a letter from Mr. H.D. Mack, now an official on the C.R.I. & P., but formerly with the Burlington on the St. Louis Division.



1, 1899. The main line extended from East Alton ( with a connection with the C.C.C. & St. L. into St. Louis) to a connection with the Rock Island and Peoria Railroad (now the C.R.I. & P. R.R.) at Orion, a distance of 200 miles. More of the importance of this road will be taken up in a later chapter.

The following branch lines were acquired in the Missouri and Iowa districts and have connections with either the Hannibal and St. Joseph or the Burlington and Missouri River. All of these were purchased by the Burlington on January 1, 1901, except the ones which have the dates of the deed given.

1. Keokuk and St. Paul Railway Company; a controlling interest was purchased in February 1869.

2. The Albia, Knoxville and Des Moines Railroad; leased on May 15, 1875.

3. The Des Moines and Knoxville Railway; leased on September 1, 1879.

4. Chariton, Des Moines and Southern Railroad Company; leased on October 1, 1878.

5. The Creston Branch of the Burlington and Missouri River Railroad; leased on April 1, 1872.

6. Chariton Branch of the Burlington and Missouri River Railroad; leased on April 1, 1872.

7. Brownsville and Nodaway Valley Railway Company; leased on December 31, 1872.

8. Clarinda, College Springs and Southwestern Railroad Company; leased on September 1, 1879.





9. The Nebraska City, Sydney and Northeastern Railway Company; leased on September 2, 1878.

10. Leon, Mount Ayr and Southwestern Railroad Company; leased on September 1, 1879.

11. Creston and Northern Rail Road Company. Leased on October 1, 1878.

12. Hastings and Avoca Rail Road Company; leased October 1, 1879.

13. Red Oak and Atlantic Railroad; leased October 1, 1879.

14. Humeston and Shenandoah Railway; secured by a foreclosure of trust deed on April 21, 1896.

15. Western Iowa Railroad; leased September 1, 1885.

16. Chicago, Burlington and Kansas City Railway Company; leased on August 1, 1900.

17. The Burlington and Western Railway Company; leased December 1, 1902 and deeded December 1, 1903.

18. Chicago, Fort Madison and Des Moines Railroad; leased August 1, 1900.

19. Murray and Creston Railroad Company; leased July 1, 1900.

20. Chillicothe and Chariton Railroad; leased August 1, 1879.

21. Fairfield and Ottumwa Railroad; leased August 1, 1900.

22. Hannibal and St. Joseph Railroad; leased July 1, 1900.

23. Kansas City, St. Joseph and Council Bluffs Railroad; leased on July 1, 1900.

24. Keokuk and Western Railroad; leased July 1, 1900.

25. St. Louis, Keokuk and Northwestern Railroad; leased on July 1, 1900.



26. The St. Joseph and Des Moines Railroad; leased October 1, 1884.

27. Grant City and Southern Railroad Company; leased November 1, 1899.

28. St. Joseph and Nebraska Railroad; leased on June 30, 1882

29. Iowa and St. Louis Railway; leased on September 1, 1903 and purchased in December of the same year.

30. The Adair County Railroad; purchased on November 14, 1911.

One of the most important of these branches is the Kansas City, St. Joseph and Council Bluffs Railroad. It connects the Hannibal and St. Joseph line at Kansas City with the main line at Council Bluffs and Omaha. This line was a consolidation of ten branch lines which were in operation at the time the Burlington leased it in 1900( but the controlling interest had been in its hands prior to this as well as all trackage rights. These lines include:

1. The Platte County Railroad.
2. The New Platte County Railroad.
3. The Atchison and St. Joseph Railroad.
4. The Missouri Valley Railroad.
5. The Weston and Atchison Railroad.
6. The Council Bluffs and St. Joseph Rail Road.
7. The St. Joseph and Council Bluffs Railroad(Original)
8. The St. Joseph and Council Bluffs Railroad(Consolidated)
9. The Nodaway Valley Railroad.
10. The Tarkio Valley Railroad.



The Chicago and Northern Wisconsin Railroad was incorporated by a Special Act of the Illinois Legislature in 1884 and was authorized "to build from Chicago through the counties of Cook, Du Page, Kane, De Kalb, Ogle, Carroll, Stephenson to the most eligible point on the Wisconsin line." This line did not complete any of the portion of the railroad that it was authorized to construct, but was taken over by the Chicago, Burlington and Northern Railroad of Illinois on August 22, 1885. This line was given a charter under the General Laws of Illinois on the same date. It extended from the connection with the Chicago and Iowa Railroad at Oregon, to Savanna and East Dubuque. Here it connected with the consolidated lines of the Chicago, Burlington and Northern of Wisconsin and Minnesotat, a total distance of 85 miles and with trackage rights of 13 miles on the Illinois Central. There was also a branch that extended from Savanna to Fulton, 17 miles, and one from Galena Junction 4 miles. All of this road was leased to the Burlington on March 1, 1899 and deeded over on June 1, of the same year.

The Chicago, Burlington and Northern Railroad of Wisconsin and Minnesota was a consolidation of three separately formed roads; The Winona, Alma and Northern Railway; The Chicago Burlington and Northern Railroad of Wisconsin and The Chicago, Burlington and Northern of Minnesota. This was formed on October 21, 1885. The road extended from East Dubuque, Illinois (a connection with the Chicago, Burlington and Northern of Illinois) along the easterly bank of the Mississippi River, via Prescott, to a connection with the Great Northern at St. Paul, a distance



of 246 miles.<sup>(1)</sup> Including some branch lines it had 258 miles. This line was leased and deeded to the Burlington with all rights unreserved on the same date as the Chicago, Burlington and Northern of Illinois was. These two lines were very important as they connect<sup>ed</sup> the Burlington with the northwest; which had at that time just been "tapped" by the Hills lines.

There was one more line west of the Missouri River which later proved a profitable addition to the system. This was the Jacksonville and St. Louis Rail Road. The St. Louis line was not profitable on account of light business and the managers foresaw the great amount of coal business that they would be able to handle if they had a feeder to this line.<sup>(2)</sup> Many years previous to this time there had been five branch lines projected down into this territory, namely; The Illinois Farmer's Railroad The Jacksonville, North Western and Southeastern Railroad; The Jacksonville, Louisville and St. Louis Railroad and the Jacksonville and Concord Railway. After numerous foreclosures and reorganizations this line was consolidated and called the Jacksonville and St. Louis Railroad Company. This operated from Jacksonville to Centralia, a distance of 112 miles. This road also was unable to operate profitably and was very willing to sell out to the Burlington on July 1, 1905. This line was extended north from Jacksonville to Concord, a distance of ten miles, where it connected with the St. Louis Division( now the Beardstown division) of the Burlington.

A working record of this line, as turned over to the Burlington when they purchased it, was: <sup>(1)</sup>

(1) Corporate Records in the Burlington General Offices.





FROM	TO	MILEAGE	BUILT BY	COMPLETED.
Jacksonville	Franklin	13.	Illinois Farmer's	7/'72
Franklin	Virden	17.7	J.N.W. & S.E. R.R.	7/'72
Virden	Litchfield	23.2	J.L. & St. L. Ry.	1880.
Litchfield	Smithboro	29.	J.L. & St. L. Ry.	1882.
Smithboro	Centralia	29.	J.L. & St. L. Ry.	1883.

This line has been extended to Paducah, Kentucky, since the opening up of the southern Illinois coal fields, and these improvements will be explained in the third chapter.

The Burlington is divided into two main divisions in regard to management, "Lines East" and "Lines West" of the Missouri River. Each has a general manager and executive staff. The major part of the branch lines in Nebraska and the line to Denver was built in the '80s. Hundreds of branch lines that connected with the main lines through Kansas and Nebraska were also built at this time. One line of great importance was the one that extended through the Black Hills District across the state of Wyoming to a connection at Huntley, Montana (a few miles east of Billings) with the Northern Pacific. This extension, involving as it did, the easy possibility of a further extension to the Pacific coast, probably led to the negotiations which finally resulted in the purchase of the Burlington system by the Hill's line, the Northern Pacific. (1)

One of the latest roads built by the Burlington (but under the name of another corporation) was the Big Horn Railway. This extended from Frannie (Wyo.) through Thermopolis and Casper, (where there has been a big oil boom for the last ten years) to Orin Junction. Here a connection was made with the Colorado

(1) The Making of the Burlington -- Baldwin.



Southern. A trackage lease was made with road to Cheyenne, where another branch line of the Burlington from Sterling, Colorado, connected with it. This line was completed in 1908 and since that time the Burlington had purchased a controlling interest in the Colorado Southern and runs through trains from Denver to Billings.

There are twenty-seven branches and main lines that make up the "Lines West" sub system. All of these were purchased and the deed conveyed to the Burlington on February 15, 1908, except those that are given: (1)

1. Burlington and Missouri River Rail Road in Nebraska; purchased on July 26, 1880.

2. Republican Valley Railroad, conveyed by merger and sale, March 1, 1882 and purchased on June 1, 1888.

3. Burlington and Colorado Railroad; Leased October 1, 1881 and bought February 15, 1908.

4. The Nebraska and Colorado; leased October 1, 1883.

5. The Colorado and Wyoming Railroad; leased April 1, 1887.

6. Cheyenne and Burlington Railroad; leased May 2, 1887.

7. The Nebraska Railway; leased June 28, 1876.

8. The Atchison and Nebraska Rail Road; leased January 1, 1880.

9. The Lincoln and North Western Railroad; leased January 1, 1880

(1) The Corporate Records of Acquisitions in the General Offices of the Burlington.



10. The Omaha and Southwestern Railroad; leased April 19, 1871.
11. The Omaha and North Platte Railroad; leased December 1, 1886.
12. The Grand Island and Wyoming Central Railroad; leased on December 1, 1886 and purchased February 13, 1897.
13. The Grand Island and Northern Wyoming Railroad; leased on December 2, 1889 and purchased December 31, 1897.
14. The Big Horn Southern Railroad; leased December 1, 1894 and purchased December 1, 1897.
15. The Nebraska, Wyoming and Western Railroad; leased May 1, 1900.
16. The Denver and Montana Railroad; leased December 1, 1900.
17. The Lincoln and Black Hills Railroad; leased February 10, 1888.
18. The Oxford and Kansas Railroad; leased March 1, 1887.
19. The Beaver Valley Railroad; leased March 1, 1887.
20. The Republican Valley, Kansas and South Western Railroad; leased on May 1, 1886.
21. The Chicago, Nebraska and Kansas City Railroad; leased January 1, 1885.
22. The Republican Valley and Wyoming Railroad; leased March 1, 1887.
23. The Kansas City and Omaha Railway; leased July 1, 1902.



24. The Sioux City and Western Railway; leased November 1, 1907 and purchased December 1, 1908.

25. The Denver, Utah and Pacific Railroad(Consolidated); leased September 1, 1889 and purchased February 15, 1908.

26. The Big Horn Railroad; leased July 1, 1906 and purchased on December 1, 1908.

27. The Denver, Golden and St. Louis Railroad; purchased on March 1, 1908.

An independent line was built by the Burlington from Kansas City to St. Louis at an expense of over seven millions.<sup>(1)</sup> This was done to get a better hold on the southern traffic and it has been well worth the expense.

Of course the Burlington has trackage rights on scores of other roads at the present time and a table of these rights with the distance and location is given at the end of the last chapter. The total mileage of the system in 1921 was 9,371, but the latest figures given show it as 9,389, which does not include the other tracks used or the use of the Colorado and Southern road. And this is the outcome of the promotion of the Chicago and Aurora Railroad, a branch of twelve miles.





CHAPTER TWO  
THE FINANCIAL HISTORY.



## CHAPTER TWO

### THE FINANCIAL HISTORY

The financial history of the Burlington shows without a doubt that this is one of the few roads that has been managed by executives without the idea of personal gain at the expense of the investors. Of course, there were times when the future of the system looked doubtful, but each time it was by the efficient and sound financing of either a president or the directors that saved it. Many people wondered why it was that in 1900 the road was sold to two systems of the Northwest, the Great Northern and the Northern Pacific.

It seemed that the road was prospering and having survived the years when other roads failed would grow stronger each year. This is explained by Mr. Baldwin.<sup>(1)</sup> The silver panic of 1893 was the cause of many failures and in 1896 the stock of the Burlington fell to 54 on the market and there were predictions that it would fall much lower. The directors were the trustees for the stockholders and they felt that it would lessen the risk if the plan was accepted whereby the stockholders could exchange their shares of Burlington stock for the stock of the two northern roads, which were then worth \$200. a share. It was the presidential election of 1900 that really turned the tide, but it was uncertain and

(1) The Making of the Burlington; W.W.Baldwin.  
1921



was acknowledged by other railroad executives at that time that it was the fairest way to manage the road.

The early financing was managed by John Murray Forbes and most of the investors were either his personal friends or banking houses with which he had conducted business before he started his railroad career. The first branch of the present system, the Chicago and Aurora Railroad, was bought for a little over two hundred thousand and this was all taken by ten or twelve men. Forbes went from man to man and by investing heavily himself he showed his confidence in "the validity of his large vision of the future" system of lines west of Chicago. This first financial venture proved to be a bargain because of its strategic position and good condition, and helped to induce other eastern men to invest in the later issues.

The connecting lines that were consolidated or leased by the newly incorporated Chicago, Burlington and Quincy Railroad were financed by local interests at the time their charters were granted them by the State of Illinois and Iowa. They were in a very bad condition and were defaulting on their obligations just prior to their connection with the Burlington. Forbes and his associates together with their banking houses agreed to give financial aid to these roads if they would secure amendments to their charters which would give them the right to fix the freight and passenger rates. This was secured after many heated fights in the legislature.

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Forbes not only paid out cash to meet deficits, but also subscribed to new stock and bond issues which were necessary to meet the heavy expense of buying new equipment and for terminal facilities for handling through train service (mainly between Chicago and Burlington). It was really fortunate for this syndicate that these roads needed the help and in this way they could get control, as the Chicago, Rock Island and Pacific Railroad, their rival farther north in the state was making plans for crossing Iowa and was getting a hold on the traffic and constructing new road at an astounding rate. In one instance when money was needed immediately to construct a new road which connected Aurora with the Central Military Tract, Forbes sacrificed \$100,000. of manufacturing stock for \$70,000. He also endorsed \$60,000. worth of notes to pay for the first ten locomotives needed by the Peoria and Oquawka and the Northern Cross. These are examples of how intensely interested and determined Forbes was to make a success of the Burlington, even at the risk of his entire fortune.

He did not have to wait long for results, however, as the return on this investment in the first few years was very large. In fact, it was so large that in 1856 in a letter that Forbes wrote to a friend in regard to the profits made by the Burlington, he said, "The earnings are so large that if we accumulate them and then divide them largely, it may have a bad effect among the country people who pay the freight." (1)

(1) An American Railroad Builder; Pearson.





This was indeed the most optimistic time in the history of American railroad building and no one was more enthusiastic than Forbes, but even with this undying faith he saw that there was danger ahead. The rapid construction which was being done by loosely managed roads invited disaster. In a letter to a foreign investor, Forbes said, "You may mark out projects without number, all of which, if honestly and carefully managed, will be profitable; but while there are a hundred good projects, you will find it hard to choose ten men to manage them who are free from some back interest, which they are likely to consult before that of their company, or if you find honest men, how few skilled, good business men will there be in that hundred? I am naturally sanguine, and I fully appreciate the growth and capabilities of the West, but if I had money seeking investment at 2%, I would not touch some of the six or eight per cent things that your cautious English houses have taken hold of."

The railroads were in this experimental state when the Federal government began the lavish distribution of land grants which was one of the main reasons that a panic a few years later occurred. It was bound to cause the building of roads where there was little need for them and in that way bring discredit on some of the other roads that were needed and stronger financially. Forbes in writing to Charles Sumner, said, "By stimulating the building of roads, where they are



not wanted, and where the leading cause for building them is the gift of the public lands, we shall throw discredit( when the breakdown comes) on our western roads, so that the building of useful roads will be retarded or indefinitely postponed. Foreign capitalists, as I happen to know, are already frightened by the immense extent of the new railroads begun, and the time is very near at hand when the enormous issues of railway bonds will glut the home market." Others who knew the situation protested to the government, but the clamor from the promoters was the loudest and the former was not heeded.

The land grant to the Illinois Central railroad in Illinois was the most valuable of all. This land had been on the market for twenty-five years at \$1.25 per acre but there was no sale for it. As soon as this grant of 2,500,000 acres was made and a transportation system assured through the heart of the state, the price of the other government land was increased to \$2.50. The next grant in agricultural land were the grants in the State of Iowa in 1856. This was held in trust by the state for four named companies, namely, The Burlington and Missouri River; The Cedar Rapids and Missouri River; (now the Northwestern) The Dubuque and Sioux City ( now the Illinois Central) and the Mississippi and Missouri River( now the Rock Island).

The Burlington and Missouri River was having a hard time to make ends meet before this grant was given. Its bonds



bearing ten per cent interest had been sold at sixty cents on the dollar, and now after four years of effort it had only succeeded in struggling twelve miles toward the goal of its ambition, the western boundary of the state. This grant of 258,424 acres looked very alluring to the eastern investors as a security, especially when the investors of the Burlington bonds learned how important it was that they gain control of this road which connected with the Burlington in a direct westerly direction. It was at this time, however, that the banking house of John E. Thayer, who was one of Forbes best financial agents, failed and it looked dark for the interests of the Burlington in regard to further expansion westward. Forbes was always the optimist and in a message to Joy, he said, "Don't be discouraged because Thayer has been upset; there shall still be cakes and ale, and ginger shall be hot in the mouth. I have in my eye another person on Boston, and one in New York, who can put the thing through... In short, it is too good to let go with out a try ! " (1)

The Burlington stockholders came to the rescue with a subscription of a million and a half dollars worth of the Burlington and Missouri River securities. These land gifts were very costly to the railroads, as they have been paid for many times. This has been done by the carrying of mail and the transportation in the time of war. Mr. Baldwin in his booklet, "Railroad Land Grants", says that this Iowa land could have been purchased for \$450,000. He also has the figures of what



the railroad has paid the government from that time until the first of October 1916, which totals \$2,209,000. and this is increasing each year at the rate of hundreds of thousands a year. And all of this expense is just to repay the government for its "gift" in 1856 !

The panic, which Forbes had declared was inevitable, came in the late summer of 1857 and the railroads suffered the most of any enterprise. At this time the capital and indebtedness of the railroads was about \$900,000,000., an increase of \$700,000,000. in only nine years. It was remarkable that the C.B.&Q. R.R., then only a road of two hundred and ten miles ( not including those lines controlled, but not owned) and which cost very little actual cash, was not touched, but still stood firm and in an enviable financial condition. This was the time when it had the upper hand of all rival roads in regard to the negotiations for control of feeder lines in Illinois and Iowa.

It was in the financing of the Hannibal and St. Joseph road that Forbes really showed his unlimited power as an organizer. The contract for the construction of it had been let to a man who was determined to construct it cheap and in a slipshod manner, with the idea that he could " get by" with it. He had not known of the calibre of the man with whom he was to deal. Forbes called this his "four months nightmare", when he was having to watch this man to see that he built a solid road in all respects. The money for this project was obtained by





the help of the Baring Brothers who knew that anything that Forbes had analyzed and stamped his approval on was the same as being ranked "A" class in an investment manual. Forbes' friends in New Bedford also bought many thousands of the Hannibal and St. Joseph bonds, which were sold at the low price of 60. It is interesting to note that the three roads in Iowa that were given grants the same time as the Burlington and Missouri River were forced to the wall and two of them had to forfeit their land grants. By taking advantage of the low cost of labor immediately after the depression the Burlington was able to save much in the construction of these Iowa and Missouri lines and was able to reap the benefits of the prosperity that started just before the break of the Civil War.

It is easily seen that most of the financing of the Burlington system and its connecting lines have been done by efficient level headed men who have placed the securities in the hands of one certain class of people. For that reason, the stock and bonds have not been on the market as much as those of other roads, as they have been such good investments that it was advantageous for the investor to keep them, as there was hardly a doubt that they would appreciate in value each year.

If I would take up all of the various issues of stocks and bonds and discuss them separately it would be altogether too long and of little value, so I have chosen those which



were listed in Poor's Investment Manual for 1920. This will give the reader an idea of the amount and the security that is back of each issue. These figures are taken from records of the Burlington given to the Interstate Commerce Commission and are accepted as correct data for investors.

The total funded debt on December 1919 was \$168,050,000. this was exclusive of the \$10,777,200., which was held in sinking funds uncanceled; \$12,522,000. in treasury stock and \$31,000. pledged as collateral. The funded debt ( in issues) in 1919 included:

- (1) Denver Extension 4s, 1922.
- (2) General Mortgage 4s, 1958.
- (3) C.B.& Q. Illinois Division 3½s and 4s, 1949.
- (4) Nebraska Extension 4s, 1927.
- (5) Sinking Fund 4s, 1927.

The Denver Extension bonds were issued December 1, 1881, and matured the first of February, this year. They were authorized at the rate of \$20,000. per mile of first track and \$10,000. per mile of second track. There were \$7,968,000 of these bonds issued; \$657,800. of them were exchanged for General 4s, due in 1958, and were cancelled. \$7,231,200. were held in sinking funds which left only \$79,000. in the hands of the public at the close of 1919. The bonds that were redeemed by the sinking fund were kept alive and the interest added to the fund. The security for this issue was a first collateral lien on 369.48 of road and appendages. These were:



Table Rock to Wymore, Nebraska, 39.09 miles.

Nemaha to Salem, Nebraska, 17.73 miles.

West line of the Willow county, Nebraska to the western boundary of Nebraska, 72.60 miles.

Nemaha to Beatrice, Nebraska, 65.19 miles.

These lines were formerly the old Republican Valley railroad and the issue of \$3,942,000. of 1st 5s of that road were taken over. The main line from the west boundary of Nebraska to Denver, a distance of 174.87 miles was also security on this issue. That line was formerly the Burlington and Colorado Railroad and its issue of \$4,026,000. of 1st 5s, 1922 was deposited back of this new issue. It was even made more secure by the deposit of \$540,000. of a total issue of \$2,105,000. of Republican Valley 1st Mortgage bonds. \$1,565,000 of this last named issue are now held by the trustee of the C.B. & Q. R.R. Co., General Mortgage 1958. This mortgage covers 180.10 miles of road:

Aurora to Gran Isle, Nebraska, 18.22 miles.

Aurora to Central City, Nebraska, 19.71 miles.

Beatrice to Red Cloud, Nebraska, ( via Wymore) 120.53.

Aurora to York, Nebraska, 21.64 miles.

The second named issue, the General Mortgage Currency 4s were issued March 2, 1908 and are due March 1, 1958. They are secured by a mortgage or collateral lien on 8,488.55 miles of road. Of this mileage, 3, 667.39 are subject to prior liens, which leaves the General Mortgage 4s a first lien on 4, 821.16 miles. In 1919 there were \$65,247,000. of



this issue in the hands of the public from the authorized amount of \$300,000,000. (From this \$300,000,000. there was provision made to deduct \$175,000. to retire all outstanding prior bonds, and \$2,000,000. to meet the expenses of retiring previous issues and \$45,000,000. reserved to pay the company for improvements and various betterments already made on the mortgaged property, which left a balance of \$78,000,000.) The rate of interest on these bonds is fixed by the directors, but there is a provision that it shall never exceed 5% a year.

The issues that have a lien prior to the General Mortgage 4s are( Of course upon their maturity this issue will be the prior lien) :

Chicago, Burlington and Quincy, Illinois Division 3 $\frac{1}{2}$ s and 4s of 1949; 1,646.40 miles.

Chicago, Burlington and Quincy, Nebraska Extension 4s of 1927; 1,471.41 miles.

Chicago, Burlington and Quincy, Denver Extension 4s of 1922; 549.58 miles.

The lines that are pledged as security for this issue and which the holders have a prior lien upon include:

Lincoln to Columbus, Nebraska,	73.41 miles
Hannibal to St. Joseph, Missouri,	205.52
Van Wert to Shenendoah, Iowa,	95.34
Palmyra Junction to Moody, Missouri,	8.73
Albia to Knoxville, Iowa,	32.97





Cameron Junction to Kansas City, Missouri,	52.53 miles
Biglow to Burlington Junction, Missouri,	31.54
Fontenelle to Cumberland, Iowa,	20.33
Corning, Missouri to to a junction with Page county Missouri,	27.63
Pacific Junction, Iowa to Kearny, Nebraska,	193.39
Omaha to Oreapolis, Nebraska,	16.88
Albany to St. Joseph, Missouri,	48.75
Knoxville to Des Moines, Iowa,	32.92
Chariton to Indianola, Iowa,	30.49
Hastings to Carson, Iowa,	15.79
Crete to Beatrice, Nebraska,	31.04
Nemaka to York, Nebraska, via Lincoln,	136.53
Hastings to west line of Franklin county,	76.34
Creston to Fontenelle, Iowa,	26.83
Red Oak to Griswold, Iowa	18.04
Clarinda to Northboro, Iowa,	17.85
Villisca Junction to Burlington Junction,	35.02
West line of Red Willow county to the west line of Franklin county, Nebraska,	90.47
Burlington to Pacific Junction, Iowa,	270.40
Red Oak to Hamburg, Iowa,	39.17
Chariton to Leon, Iowa,	36.54
Creston, Iowa to Hopkins, Missouri,	44.61
Main line through Council Bluffs, Iowa,	1.57



Leon, Iowa, to Grant City and Albany, Missouri,	103.28 mi
Hastings to Sidney, Iowa,	21.12
Burlington, Iowa to St. Louis, Missouri,	211.61
Concord to Herrin, Illinois,	174.77
Harlem, Missouri to Council Bluffs, Iowa,	189.50
Galesburg to West Havana, Illinois,	57.29
Viele, Iowa to Carrollton, Missouri,	181.65
Mt. Pleasant to Keokuk, Iowa,	48.01
Fort Madison to Watavia, Iowa,	55.95
Burlington to Tracey, Iowa,	103.98
Winfield to Washington, Iowa,	18.64
Alexandria, Missouri, to Van Wert, Iowa,	142.71
New Castle to Cambria, Wyoming,	7.
Hill City to Kewstone, South Dakota,	9.50
Englewood to Spearfield, South Dakota,	31.52
Minnekahta to Hot Springs, South Dakota,	13.34
Edgemont to Deadwood, South Dakota,	106.40
Denver to Lyons and Tower, Colorado,	35.67
Northport, Nebraska to Ironton, Wyoming,	104.25
Brush, Colorado, to Alliance, Nebraska,	125.95
Alliance, Nebraska, to Huntley, Montana,	463.33
Des Moines, to Cainsville, Missouri,	105.62
Sedan, Iowa to Elmer, Missouri,	52.40
Grant City to Albany, Missouri,	19.93
Old Monroe to Mexico, Missouri,	63.29
Arcadia to Sargent, Nebraska,	19.27



Mc Cool, Junction to Endicott, Nebraska,	43.53 miles.
Stromsburg to Alma, Nebraska,	149.55
O'Neill, Nebraska to Sioux City, Iowa,	127.65
Amazonia, Missouri, to Iowa State Line,	52.30
Armour, Missouri, to Atchison Kansas,	3.51
Ashland, Nebraska to Sioux City, Iowa,	103.07
South Omaha, Nebraska to Pappio, Nebraska,	4.37
Napier, Missouri to Lincoln, Nebraska,	109.75
Atchison, Kansas to Rulo Junction, Nebraska,	45.39
East Leavenworth, Missouri to Leavenworth, Kansas,	2.11
Nebraska City Junction to Bridge(near Payne)	3.65

The third issue of bonds that is still in the hands of the public is the Chicago, Burlington and Quincy Railroad Illinois Division Currency 3½s and 4s and are dated July 1, 1899. This was just at the time when the Burlington purchased so many of the branch lines in Iowa and Illinois, as described in Chapter One. This will fall due July 1, 1949. There was an authorization of \$85,000,000. \$50,835,000. of 3½s and \$34,165,000. of 4s. These were all sold except \$573,000. which are held in the treasury. The security for this issue is very good as the majority of these lines have a high earnings power and are in the best farming country in Illinois. The security is the first mortgage on 1,646.4 miles of lines and includes the following road:

Rock Island to East Alton, Illinois,	226.85
South Aurora to St. Paul, Minnesota,	379.50



Chicago to Burlington, Iowa,	204.50 miles.
Galesburg to Quincy,	90.91
Aurora to Geneva, Illinois	7.54
South Aurora to West C icago( the first line that was purchased by Forbes and the Michigan Central promoters,	12.35
Montgomery to Streater,	57.55
Streator to Walnut Junction,	59.49
Sheridan Junction to Paw Paw	19.54
Mendota to Savanna,	80.86
Buda to Elmwood,	44.82
Yates City to Rushville,	62.79
Galva to New Boston,	50.65
East Dubuque, Iowa, to Dubuque,	.53
Galesburg to Peoria,	52.77
Galesburg to Pio,	12.22
Gladstone to Arpee,	23.38
Carthage Junction to Quincy,	71.21
East Clinton to Clinton, Iowa,	.39
Galena Junction to Galena,	3.82
Oregon to Forreston,	17.96
Quincy to East Louisiana,	46.33
Shabonna to Barstow,	88.42
Flag Center to Rockford,	23.50
Total Mileage,	<hr/> 1,646.40

This issue is also secured by the bridges over the  
Missouri, Illinois, and Mississippi rivers and the terminals





at East St. Louis, Chicago, Aurora, Quincy, Galesburg, and other division points.

The Chicago, Burlington and Quincy Nebraska Extension Sinking Fund Currency 4s were authorized to the amount of \$29,441,000., or at the rate of \$20,000. per miles of first track and \$10,000 for each miles of second track. They were dated May 2, 1867 and are due May 1, 1927. Of this total issue, 491, 000. have been exchanged for General Mortgage 4s, due in 1958 and were cancelled; 8, 549,000. have been retired by a sinking fund; \$2,076,000. are held uncanceled in the treasury and \$31,000 are pledged as collateral. This leaves only \$18,294,000. in the hands of the public.

The sinking fund of this issue was 1% of the par value of all of the bonds issued and is to be paid annually on May 1st. This is invested in bonds of this issue at a maximum price of 110 and accrued interest. The bonds bought in this manner are cancelled.

The security of this issue was based on the first lien on 287 miles of road; 27.7 miles formerly owned by the Republican Valley Railroad Company, from Hastings to Aurora, Nebraska, and on 260 miles of the Grand Island and Wyoming Central Railroad( from Grand Island to Alliance Nebraska.) In addition to this, there was a deposit of \$23,494,200. in First Mortgage bonds of the 1,174 miles of road described as follows:



Omaha and North Platte R.R., Omaha via Ashland to Schuyler, Nebraska, 80.58 miles

Colorado and Wyomin Railroad, west line of the State of Nebraska( at a junction with the Nebraska and Colorado railroad) to the south line of Wyoming ( to a juntion with the Cheyenne and Burlington Railroad Company) 144.58 in length.

**The Nebraska and Colorado R.R.:**

De Witt, Nebraska to western line of Nebraska, 298.32

Fairmont, Nebraska to Chester, Nebraska, 45.19

Edger to Superior, Nebraska 26.53

Kenesaw, Nebraska to Oxford, Nebraska, 60.67

**Lincoln and Black Hills, Rail Road :**

Central City to Erickson, Nebraska, 62.94

Palmer to Arcadia, Nebraska, 53.61

Greeley Center to Burley, Nebraska, 40.38

**Cheyenne and Burlington Rail Road:**

Junction with the Colroad and Wyoming Railroad to Cheyenne, Wyoming, 29.01

**Republican Valley and Wyoming Railroad:**

Culbertson to Imperial, Nebraska, 49.17

**Republican Valley, Kansas and Southern Railroad:**

Republican City, Neb., to Oberlin, Kansas, 78.23

**Chicago, Nebraska and Kansas R.R.:**

Odell, Nebraska to Concordia, Kansas, 71.18



## Oxford and Kansas Railroad:

Orelans to south line of Nebraska, 59.61

## Beaver Valley Railroad:

Junction with the Oxford and Kansas Railroad to  
St. Francis Kansas, 74.18

The fifth and last issue of the funded debt (as it was in the 1919 report) was an issue of \$3,000,000. in Chicago, Burlington and Quincy Railroad Sinking Fund 4s, which were issued on September 1, 1881 and matured September 1, 1921. The New England Trust Company was paid funds each year that were sufficient to cover this amount.

The latest issue of bonds that has been floated by the Burlington is the 1st and Refunding Mortgage 5s, which will mature in <sup>1971</sup> fifty years (1971). The yield is approximately 5.17% as they were sold for 97. The original order of the Interstate Commerce Commission set a minimum price of  $89\frac{1}{2}\%$  of par and accrued interest, but this was amended to  $92\frac{1}{2}\%$ . This was made so that the total income to the buyer would not exceed  $5\frac{1}{2}\%$ .

This is an entirely new issue in the form of a blanket mortgage and is covered by a direct or collateral lien on nearly 9000 miles of the Burlington system. Mr. Hale Holden, president of the road gives a few preliminary figures, so that the investors may know what securities lies behinds these new bonds:

" The net income of the road for 1921, after deducting rentals and miscellaneous charges, was slightly over \$31,000,000. Against these were the company's funded debt of



\$6,800,000. For the past ten years the Burlington has reported net incomes ( after deducting rentals and miscellaneous charges) which averaged more than four times the company's annual interest charges on the funded debt."

With the exception of the equipment trust certificates taken by the Railroad Administration, the Burlington has sold no bonds during the last seven years, and its funded debt now is nearly \$9,500,000. less than in 1909, which of course results in the fact that its current interest charges are materially lower than those of ten years ago.

Mr. Holden also said," Since 1901 the Burlington's surplus income and miscellaneous profits after charges have amounted to approximately \$406,000,000.(\$228,000,000. paid in cash dividends and \$178,000,000. added to the surplus). These new bonds are not redeemable for twenty years. After that date, the company has the option of retiring the issue as a whole at prices ranging from 107½ in 1942 to 103 in the last ten years prior to maturity.

The chart on the next page shows the financial condition of the Burlington at the close of the year 1920. This was made from figures taken from the Sixty-Seventh Annual Report of the Board of Directors to the stockholders. (More the financial condition of the system will be given in the next chapter, showing how and why the Burlington ranks at the present time as a "Class A" railroad. )





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CHAPTER THREE

THE PRESENT SYSTEM .



# CHAPTER THREE

## THE PRESENT SYSTEM.

The Burlington system of 9,389 miles(exclusive of the 2000 miles of the Colorado Southern, which it controls) is located in one of the most prosperous parts of the United States. It has lines in eleven states: Illinois, Iowa, Wisconsin, Minnesota, Missouri, Nebraska, Kansas, South Dakota, Wyoming, Montana and Colorado, which comprises an area approximately equal to that of Switzerland, England, Wales, Scotland, Ireland, France, Spain, Portugal, Italy, Belgium, Holland, Denmark and Germany combined, and contains 22,697,644 inhabitants. These states are the producers of many commodities that are necessities and are shipped long distances by rail, which gives the Burlington much traffic in long hauls. They produce 50% of the wheat grown in the United States; 60% of the oats; 46% of the hay; 50% of the alfalfa and 42% of the sugar beet crop (of 1920). There is also a great traffic in live stock as the Burlington has terminals at the four largest stock yards in the middle west: Chicago, St. Louis, Kansas City and Omaha. This territory raises 41% of all the cattle; 45% of the hogs and 31% of the sheep raised in this country. (1)

In regard to the various products and the percentage of each that is carried annually by the Burlington,

(1) Statistics given out by the Passenger Traffic Agent of the Burlington.



an analysis of the 1921 Annual Report to stockholders will show many facts concerning this. The commodities are divided into five main classes:

1. Products of the mines.
2. Products of agriculture.
3. Products of animals.
4. Products of forests.
5. Manufactures and miscellaneous.

Nearly one half of all of the revenue freight carried by the Burlington is derived from the transportation of the products of the mines. This is classified into several heads, so that each product of any importance will have a separate record. The transportation of soft coal from the mines in southern Illinois is the main revenue freight and will be explained after the other products as it requires a longer explanation.

Anthracite coal is of much less importance than the bituminous coal in regard to the amount of revenue derived from the traffic. Two hundred and nine carloads or 8,520 tons were loaded on the system and 1,501 loads were carried from other roads, which gives a total tonnage of 68,065 or .14% of all of the freight carried.

Many sections of the country along the Burlington supply the markets with clay, gravel, sand and stone and this has become important as a revenue commodity. In 1920 there were 50,391 car loads of these products that originated on the Burlington lines and 63,597 were carried from connecting lines, which gives a total tonnage of 2,970,834 or 6.29% of





of the whole. The greater part of this class is used in construction work in the cities and has decreased in the year and one half since this report, but at the present time is rapidly increasing.

The remaining products of the mines need little discussion as the figures will explain themselves:

Coke; 7,928 car loads; tonnage 231,752 and a percentage of .49.

Iron ore; 4,698 car loads and a tonnage of 248,860, which gives a percentage of .53.

The rest of the products are other ores and concentrates, crude petroleum, salt, asphaltum, base bullion and matte, which gives a total of 43.59% (including the percentage of soft coal carried; 34.59%)

The Burlington was regarded as a granger road and mainly one of the grain carrying systems until about five years ago. Now it has developed a coal traffic that is equalled by only one road in Illinois, the Illinois Central, which has always had a very large traffic in coal.) David T. Jordan in his text on "Investments" classes the Burlington as a "Grain line", and fails to recognize the great increase that has been made in the percentage of traffic in coal in the last few years.

Most of the coal carried originates from the mines in southern Illinois. It was in 1904 or 1905 that the Burlington officials awakened to the fact that although the system extended into eleven states and was 8,374 miles long, it had



very little coal of its own, either for fuel or tonnage. The Whitebreast and other mines in Iowa had been worked and this had been the main source of the company's supply. Just five years previous there had been made the important corporate connection with the Great Northern and the Northern Pacific and they were needing a large supply of coal than they were getting. Briefly, they had analyzed just how important the mineral coal is to the railroad:

1. As tonnage to be hauled.
2. As a product necessary to the people and industries along the line.
3. As a fuel for its locomotives.

About twenty-five years previously, the Burlington has purchased the old Rockford, Rock Island and St. Louis line, (St. Louis Division, it was called then) but its operation was not profitable on account of the light business. When the coal in southern Illinois was found to be of the best quality west of the West Virginia fields (and better than most of that) the question arose, "Why can't the territory in Minnesota and the Dakotas, served by the Great Northern and Northern Pacific, be supplied with this coal via the Burlington, thus giving increased tonnage for all three roads and also a more certain supply of locomotive fuel for the three?"



A plan was conceived in 1905 to buy the old Jacksonville and St. Louis( a line 112 miles long from Jacksonville to Centralia, which is in the coal district). This line was extended northward from Jacksonville to a connection with the Rock Island and St. Louis line and later it was extended south from Centralia to Hearin and two years ago to Paducah, Kentucky.

It involved an enormous expense to make this line a first class coal route, as there had been very inferior material in the road. Heavier rails were laid, grades reduced, curves straightened, etc, and nearly 200 miles of double track was laid in the last eight years. In addition to this, it meant the building of many miles of side tracks, passing track, cross-overs and the strengthening of bridges. The yard capacity at Centralia, Beardstown, Eusunell and Galesburg was increased so that they now total over 160 miles of trackage space. The expense of buying high priced land for these improvements was very large, as the price of land was at its height when the purchases had to be made. Another large expense was the purchase of equipment to handle this increase in traffic. The Beardstown division alone has about 150 new 290-ton locomotives that can pull ninety loaded coal cars and over one hundred empties. All of these engines are equipped with pneumatic stokers of the latest type. (1)

(1) Interview with Mr. W.W.Baldwin.



Now the question is asked, who has profited by this enormous investment made by the Burlington at its own risk, with no guaranty of return? It seems to me that there have been three classes of people benefited by this investment: first, the farmers in southern Illinois, who gained by the sale of their lands to the Burlington and to the large investment companies that sunk the mines; and the farmers in the northwest who are getting coal much cheaper than they could if this through line had not been made. Second, the industrial plants in the cities that are served by the Burlington and its connecting lines have profited by better service and coal at a cheaper price. Then finally, the railroad has profited by the increase in tonnage and having a more secure position regarding their fuel supply.

In 1920 the Burlington hauled 283,272 carloads or 13,091,226 tons originated on the system; of this tonnage, 21,707 carloads or 10,853,550 was started on the Beards-town division. There are at present one hundred and twenty mines that are served by the Burlington in this district and most of them turn over their entire output. In the last two months the business has been very poor on this division on account of the miner's strike, but this has been used to a good advantage as it has given the operating department time to make improvements in





equipment (repairing cars and engines) and in construction of new tracks or replacing rails. That more business will be handled this fall than last year, when all previous records were broken, is the prediction of the coal mine operators. There are many solid through trains of coal shipped direct from the mines to the various shops and coaling stations of the road, which saves many thousands each year in the buying of fuel. The Burlington pays out nineteen millions annually for fuel and it would be at least a third more if it did not have these private mines.

The extension of the line from Herrin to Metropolis, Illinois, and later, the building of the mammoth bridge over the Ohio River, connecting with the Louisville and Nashville railroad at Paducah, Kentucky, was not done on account of the increased coal business. It was done to make it possible for a mutual interchange of products between the north and the south. This business has not had a chance to be developed on account of the depression in business in the last year and a half, but there is no doubt that in the next five years there will be a big traffic developed in through fast freight from the Gulf to the northwest. The roadbed of this line was made so that it will take care of fast freights and express, north of Herrin the road being double-tracked, it will facilitate the handling of both slow coal "drags" and the



faster "cannon-balls" ( as the fast merchandise freights are termed by the railroad men).

The second class in importance is the "Products of Agriculture". Wheat is the main commodity, with a total of 60,335 car loads or 2,457,053 tons carried in 1920; this was 5.2% of all of the revenue freight carried. The others in this class in order of their importance are: corn, flour, and meal; oats; hay; straw; and alfalfa. Also, tobacco; other grains; potatoes; cotton; cotton-seed and by-products(except oil) citrus fruits and other fresh fruits; fresh vegetables; dried fruits and other products of agriculture, which gives a total of 18.07% of all the traffic.

In the other classes there is such a variety of products that it is impossible to list each one, but only take each group as a whole. The products of animals represents 6.36% of the whole and comes from all parts of the system; sheep, from the western states; cattle and hogs from the central and middle west; horses from Montana and Wyoming. The products of the forests are principally products from the northwest and western states and total 6.43% of all.

The last division is the one that has so many small groups of commodities represented. There are twenty-six classes of manufactures and miscellaneous items that are included. They come from all parts of the eleven states and make a total of 20.32% of the total revenue freight.



It is easily seen that the traffic of the Burlington is very well diversified, so that a slump in any one source does not effect the earnings of the road as a whole. If it had been entirely a coal road, there would have been no doubt a big decrease in earnings in the past six months on account of the miner's strike, but there has been no serious difference in the total revenue on account of it. The advantage of diversified freight traffic has helped to stabilize the earnings of the Burlington and also to make the operations more efficient and economical, as there is seldom any empty cars hauled ( except to the coal fields) for any great distance.

The Burlington has been instrumental in opening up many government reservations in the west to foreign immigrants. In 1919 there were 1,549 car loads of immigrant's personal property received on the western divisions and a total of 5,692 families located. There were 2,222,389 acres of homestead land opened in Wyoming alone, and this should cause several thousand new families to come into that state in the next year or two. This business of making new business by developing territory that has been barren and of little value is what makes the Burlington one of the leading roads of the middle west and will help to strengthen its hold on the business of the future. In addition to this, there are several large irrigation projects in Wyoming that will be opened up this year or the first of next. This will mean the business in traffic from 10,000 acres of farm products that the Burlington



alone serves, and several hundred new families will move into this territory.

There has been two special agricultural exhibit cars operated during the last few years on the "Lines West"; one during March to stimulate an increase in acreage and to improve the quality of the potato crop; and another during the fall to stimulate better farming in the semi-arid districts. In 1920 this aroused a great deal of interest, and about four thousand farmers inspected the potato car and 270 were supplied with certified seed from the car. In later field tests this seed proved superior to the native seed. On the "better farming" car there was attention given to the importance of crop rotations on the dry lands and greater diversifications and safer lines of farming. There were 113 towns visited with a total attendance of 14,000 farmers. This publicity has given the Burlington a hold on the traffic of the farmers of the middle west and has helped to make a feeling of cooperation between the farmer and the carrier.

In telling of the Burlington as it is at the present time it will be well to compare it with a similar system and show how favorably or unfavorably it compares. The road I have chosen to compare it with is the Chicago and Northwestern, which also runs westward from Chicago and has several hundred small branch lines, similar to the Burlington. The C. & N.W. has a total mileage of 7,930, with an average extra main track of 1,075, which is a few hundred less than





the total mileage of the Burlington. In comparison I will first discuss the physical factors of both roads and then the stability of each with their financial organizations. These figures were taken from Moody's Investment statistics and are the average in the ten year period from 1908 to 1918.

The average number of locomotives owned by the Burlington was 1735; an increase from 1603 to 1889. The Northwestern has had an average number of 1752. This difference is accounted for in the fact that the Burlington has had so many more large engines and hauls much heavier tonnage trains than the Northwestern does. The Burlington owned an average of 1253 passenger cars, (from 1207 to 1307) and 65,281 freight cars, (from 55,806 to 75,149). Again the Northwestern has a greater average: 1767 passenger cars and 67,281 freight cars. Both roads have freight traffic that is about the same percentage of their total traffic; the Burlington 68 % and the Northwestern, 66%.

The diversity of freight business; growth in density of freight and passenger traffic<sup>(1)</sup> and increase in the average length of haul are important features in economic railroad operation. I have shown how well diversified the traffic of the Burlington is, and how it promotes stability of earnings and an equal loaded car movement in both directions. The passenger density in 1918 was 123,550 and the Northwestern had 140,658.

(1) The density of passenger traffic is determined by taking the ratio of total number of passengers carried times the average distance hauled over the total mileage. The density of freight traffic is: the total tons carried times the average distance hauled over the mileage.



In the density of freight traffic it is much different, and in the other direction. Burlington, 1,510,981 to that of the Northwestern of 825,638. The average freight train load in tons was 492 (an increase from 382 to 669) to that of the Northwestern of 358. This increase in trainload over the Northwestern and the fact that the Burlington has less tractive power shows the highest operating economy is reached.

The average passenger rates on the two roads seem to be quite different on account of the fact that the Burlington has so many western lines where a higher rate has to be charged. The average for the Burlington is 1.96 per passenger a mile (an increase from 1.86¢ to 2.45¢). The Northwestern has had an average rate per mile of 1.88¢ (from 1.81¢ to 2.23¢. But again there is a wide difference in the other direction in regard to the average rate per ton on freight carried; the Burlington has an average of 74¢ to that of 87¢ on the Northwestern.

The average gross revenues was \$10,081 per mile which was a little less than the average of the Northwestern's of \$10,109. This was an increase for the Burlington in the ten years from \$8,740. to \$13,053. The distribution of this amount (per mile) by the Burlington, is as follows: Maintenance of way, \$1,426; maintenance of equipment, 1,653. Other operating expenses average \$3,697. This gives a net operating revenue of \$3,477 per mile. The tax accruals amount of \$422. per mile, leaving a balance for charges of \$3,055. The fixed charges average only \$1,041, which deducted from the amount available for charges, gives a surplus of \$2,014. over the charges. The average margin of safety <sup>(1)</sup> was 66%.

(1) Explained on next page)



The margin of safety of the Burlington was as high as 77% in 1916 and 1917 and is a little better than that at the present time. The average dividends paid per mile amounted to \$1,087, (only \$937. in 1908 to \$2,128. in 1918).

The same figures for the Northwestern for the earnings and distribution (average) for the same period 1908 to 1918 are: Operating expenses for maintenance of way was \$1,338. per mile, about \$100. less than the Burlington paid; and of equipment, \$1,406., which gives a total of \$2,744. Other operating expenses were \$4,308. The net operating revenue was \$3,057 and total net income, \$3,438. per mile. The total accrued taxes were \$477. which gives a balance before deducting fixed charges, of \$2,961. The average fixed charges amounted to \$1,223., giving a surplus available for dividends of \$1,738. The average margin of safety was 60% and dividends paid, \$1,324.

A comparison of the operating ratios<sup>(2)</sup> of the two roads is:

	1912	1913	1914	1915	1916	1917	1918
BURLINGTON	69.9%	66.6%	67%	66.3%	60.3%	64.3%	77.8%
NORTHWESTERN		70.1%	71%	69.78%	69.78%	72.75%	86%

The fact that the Burlington has such a favorable record of operating ratios shows that its stability is unquestioned, and even in the unusual times during the war, the ratio was not as high as it was on the majority of roads. This increase

(1) The total gross income minus the total fixed charges gives the financial risk and the difference between the two gives the margin of safety.

(2) The ratio of operating expenses to gross revenues is known as the operating ratio.



is because of the increase in the cost of labor and other operating expenses. During normal periods and conditions a ratio between 65% and 75% is considered as good as the average.

A comparison of the income accounts of the two roads for the year ending December 31, 1918, while they were under government control is:

	<u>C. &amp; N.W.R.R.</u>	<u>C.B. &amp; Q. R.R.</u>
Income from lease of road	\$23,201,016.00	\$33,367,772.00
Dividend income	1,026,130.00	220,872.00
Miscellaneous rent income	582,536.00	300,153.00
Income from all other sources	<u>653,895.00</u>	<u>293,473.00</u>
TOTAL REVENUES	25,463,577.00	34,185,270.00
Organization expense	149,577.00	106,361.
Taxes	925,000.00	2,479,363.
Interest on bonds	8,816,106	6,750,462.
All other expenses	<u>1,090,283.</u>	<u>193,606.</u>
BALANCE	14,482,611.00	24,655,478.00
Other deductions	111,480.00	
Dividends	11,952,275.00	8,867,128.
Additions and betterments		10,265,851.
Sinking funds		<u>841,893.</u>
SURPLUS	\$2,418,856.00	\$4,680,608.00
Earned on preferred stock	64.67%	None.
Earned on Common stock	8.90	22%

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000	1001	1002	1003	1004	1005	1006	1007	1008	1009	1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032	1033	1034	1035	1036	1037	1038	1039	1040	1041	1042	1043	1044	1045	1046	1047	1048	1049	1050	1051	1052	1053	1054	1055	1056	1057	1058	1059	1060	1061	1062	1063	1064	1065	1066	1067	1068	1069	1070	1071	1072	1073	1074	1075	1076	1077	1078	1079	1080	1081	1082	1083	1084	1085	1086	1087	1088	1089	1090	1091	1092	1093	1094	1095	1096	1097	1098	1099	1100	1101	1102	1103	1104	1105	1106	1107	1108	1109	1110	1111	1112	1113	1114	1115	1116	1117	1118	1119	1120	1121	1122	1123	1124	1125	1126	1127	1128	1129	1130	1131	1132	1133	1134	1135	1136	1137	1138	1139	1140	1141	1142	1143	1144	1145	1146	1147	1148	1149	1150	1151	1152	1153	1154	1155	1156	1157	1158	1159	1160	1161	1162	1163	1164	1165	1166	1167	1168	1169	1170	1171	1172	1173	1174	1175	1176	1177	1178	1179	1180	1181	1182	1183	1184	1185	1186	1187	1188	1189	1190	1191	1192	1193	1194	1195	1196	1197	1198	1199	1200	1201	1202	1203	1204	1205	1206	1207	1208	1209	1210	1211	1212	1213	1214	1215	1216	1217	1218	1219	1220	1221	12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A comparison of the capitalization of the roads will be the final test and will show the difference in the earning power of the two systems:

The Burlington has no preferred stock, but is capitalized at \$12,064. per mile on common stock, which is 36% of the total outstanding obligations. There is also a bonded capitalization of \$22,018. This makes the gross capitalization \$34,082. per mile. The company owns \$2,950. of these obligations per mile, which makes the total net capitalization only \$31,132 and the net income on net capital, 11.7%. The average dividend paid per mile is \$1,083. and at the rate of 9% gives a margin of safety of 47.7

The Northwestern is capitalized by \$19,278. in stock per mile (which is 43% of all the securities outstanding) and \$25,404. in bonds. The gross capitalization is \$44,760., which after deducting \$3,295. owned by the company, gives a net capitalization of \$40,465. per mile. There is a net income on this investment of 9%. It has fluctuated from as 10% to as low as 4.9% in 1918. There is preferred stock issued for the amount of \$227. per mile, but only \$1,130 of that is now outstanding. The margin of safety on the preferred stock has been 86%, but on the common it has only been about 22%.

The bond record and rating of the two roads show a slight variation in favor of the Burlington. The Northwestern has twenty-six issues outstanding and Moody rates eleven of them "Aaa" and the other fifteen "Aa". The factor of safety ranges from 81 to 88, with the majority of the issues at 85%. There



were eight issues of Burlington bonds that were outstanding in 1918 and all of these were given the highest rating, "Aaa". In an explanation of this rating the author says he has placed his basis on the fact that the security is very high and also the liability of the company. The factor of safety on six of the issues is 96% and on the other two, 89%. This gives the reader an idea of how the road is managed and the safeness of all investments in its securities. I have had an interview with a bond salesman who has had wide experience in selling railroad securities and he says that buyers of bonds inquire how soon he will be able to get them some Burlington bonds.

The organization of the Burlington is military in form and is very much the same as it was at the start, with the addition of many more subordinate officials with the increase in business. The system is divided into two parts: "Lines East" (of the Missouri river,) and "Lines West". The general officers have supervision over the whole of it and at the present time the personnel includes:

Hale Holden, President and Chairman of the Executive Committee.

C.G. Burnham, Executive Vice-President.

H.R. Safford, Assistant to the President.

E.P. Bracken, Vice-President -- Operation.

C.E. Spens, Vice-President -- Traffic.

W.W. Baldwin, Vice-President -- Tax, Mail and Express.

O.M. Spencer, General Counsel.



C.I.Sturgis, Secretary and Treasurer.

H.W.Johnson, Comptroller.

H.E.Jarvis, Assistant Secretary.

A.T.Williams, Assistant Secretart.

The legal department of the Burlington is one of the best of any road in the middle west. The president, Mr. Holden, was at one time a counsel for the great pioneer railroad man, J.J.Hill, and it was this man who noticed Mr. Holden's unusual ability as an executive and raised him in the ranks. The personnel of the legal department at the present time is :

O.M.Spencer, Gernerel Counsel.

Bruce Scott, General Soliciter.

E.M.Sheldon, Assistant to the General Counsel.

Kenneth F. Burgess, General Attorney.

J.C.James, General Attorney.

Thomas J.Lawless, Attorney.

J.A.Connell, Attorney for the Illinois District.

W.D.Eaton, Attorney for the Iowa District.

H.J.Nelson, Attorney for the Missouri District.

Byron Clark, Soliciter for Nebraska.

E.F.Whitted, Attorney for the Coloraad District.

Goddard and Clark, Attorneys for Wyoming and Montana.

The operating department is really the one department that must be efficient so that the road will have a stable earning power and be sound financially. This department of the Burlington has always been strong and no little credit



for this is due to Forbes and Perkins( Perkins being the understudy of Forbes for many years) who trained many of the executives that are in the service now, or were just previous to those who are in office.

The present operating officials in the General office in Chicago include:

E.P.Bracken, Vice President.

F.L.Johnson, Assistant to the Vice-President.

D.H.Bremmerman, Assistant to the Vice-President.

F.A.Torrey, General Superintendent of Motive Power.

C.B.Young, General Mechanical Engineer.

W.L.Barnes, General Superintendent of Transportation.

J.H.Aydelott, Superintendent of Transportation.

B.M.Chaney, General Inspector of Permanent Ways and structures.

J.A.Carney, Supervisor of Fuel Economy.

C.A.Worst, Superintendent of Telegraph.

E.M.Switzer, Superintendent of Safety.

Daisy Oden, Supervisor of Women's Welfare.

D.Cunningham, Chief Train Rules Examiner.

The organization of the "Lines East" operation department is divided into three parts: the Illinois, Iowa and Missouri districts. These are supervised by L.B.Allen, General Manager of "Lines East" and J.W.Cyr, Superintendent of Motive Power. Each of these districts is divided into divisions and is managed by a superintendent, who is directly responsible to the General Superintendent of the district. The Divisions in each of the districts of "Lines East" are:





## I L L I N O I S      D I S T R I C T .

L.B.Lyman, General Superintendent, with offices at Galesburg.

J.E.Falk, Superintendent, Chicago Division.

C.D.Peckenpaugh, Superintendent, Aurora Division.

W.E.Fuller, Superintendent, Galesburg Division.

E.J.Worden, Superintendent, La Crosse Division.

G.L.Griggs, Superintendent, Beardstown Division.

## I O W A      D I S T R I C T

F.H.Ustick, General Superintendent, with offices in Burlington, Ia.

J.P.Cummings, Superintendent, Ottumwa Division.

H.W.Hamm, Superintendent, Centerville Division.

W.T.Sadler, Superintendent, Creston Division.

## M I S S O U R I      D I S T R I C T

N.L.Howard, General Superintendent, St. Louis, Mo.

W.A.Card, Superintendent, St. Joseph Division.

W.A.Chittenden, Superintendent, Brookfield Division

M.B.Lamb, Superintendent, Hannibal Division.

N.B.Young, Superintendent of Terminals, St. Louis.

H.W.Maxwell, Superintendent of Terminals, Kansas City.

The "Lines West" are divided into two districts, Nebraska and Wyoming and have separate General Offices in Omaha.

The personnel of executives for these districts include:

W.F.Thiehoff, General Manager.

T. Roope, Superintendent of Motive Power.

T.E.Paradise, Assistant Superintendent of Motive Power.



O.E.Pearson, Assistant Superintendent of Transportation.

# NEBRASKA DISTRICT .

E.Flynn, General Superintendent, Lincoln.

F.R.Mullen, Superintendent, Lincoln Division.

N.C.Allen, Superintendent, Omaha Division.

W.F.Giles, Superintendent, Wy more Division.

W.F.McLaren, Superintendent, McCook Division.

# WYOMING DISTRICT .

A.G.Smart, General Superintendent, Alliance, Nebraska.

F.G.Gurley, Superintendent, Alliance Division.

F. Cone, Superintendent, Sheridan(Wyo)

C.C.Holtorf, Superintendent, Sterling(Colo.)Division.

J.C.Grisinger, Superintendent, Casper, Wyo.) Division.

The other departments and the heads of each are:

Freight Claim Department; J.D.Shields, Freight Claim Agent.

Engineering Department: A.W.Newton, Chief Engineer.

Traffic Department: C.E. Spens, Vice-President- Traffic.

Freight Traffic Manager: H.H.Holcomb.

Passenger Traffic Manager, P.S.Eustis.

Accounting Department: H.W.Johnson, Comptroller.

Treasury Department: C.I.Sturgis, Secretary and Treasurer.

Land and Industrial Department: O.F.Scudder and E.M.

Westervelt, Land and Industrial Commissioners.

Tax Department: W.W.Baldwin, Vice-President in charge.



Purchasing Department: L.N.Hopkins, Purchasing Agent.

Relief, Surgical and Employment Departments:

J.N.Redfern, Superintendent.

Dr. J.A.Denny, Assistant Superintendent and Medical Director.

W.C.Kordsiemon, Assistant Superintendent of the Employment Department.

Trains are operated on the Burlington by the use of several systems: the manual block system, where trains are reported in and out of stations by operators who are given instructions from the division points by train dispatchers. Then by the automatic block system, which is regulated by electricity and the movement of the trains controlled by the dispatchers at the division points. The third system is known as the staff system and is used only in dangerous places, such as hills where there is only a single track and over bridges.

The telephone has been installed for use in sending orders on the majority of the lines and this has added much to the efficiency of handling more tonnage and at the same time reducing the number of operators and dispatchers on each division.

The passenger service on the Burlington is unusually good and the slogan given it is "The On Time Road", because of the fact that the Chicago-Denver trains have maintained their schedule time during both the summer and winter seasons and very seldom are late in arriving at their terminals or junctions. The Burlington has had such an enviable record



in passenger and fast express service that it was granted the Fast Mail Contract in 1887 by the government, from Chicago to Omaha and has held it ever since, although the Northwestern has tried several times to prove that they could run the distance in a shorter time.

On the Beardstown Division there was an engineering feat accomplished in April 1922 that deserves mention. The Illinois river was overflowing its banks and was washing out many hundred feet of double track that ran along a drainage district. On one side of the grade there was about thirty feet of water and this washed through the fill and cut out about eight hundred feet . With two pile drivers and a large gang of bridge engineers under the direction of General Superintendent Lyman and General Bridge Foreman Haggender, a tressle was built in 70 hours that would hold a medium sized train. This was built while a flow of water was rushing thorough at the rate of a mountain stream and cutting the gap larger all of the time. Engineers of other roads who were there and inspected the work expressed their high regard for such substantial work accomplished in such a short time.

The operating department has had engineers working on plans for an improvement that will mean a two million dollar expenditure on the Beardstown Division. About twelve miles north of Beardstown is a grade of about 8%, four miles in length. This is the only grade of any degree northward from the coal fields to St. Paul , so that the tunnelling of it would eliminate the necessity of having two pushers on this





hill and also reducing the time. The grade will be cut to about 37 and several short tunnels will be bored, and one tunnel of a mile in length. The estimated time for the completion of this work is two years. The final survey has been made and the contracts will be let as soon as the estimates are all in.

The Burlington General Offices, located in its fifteen story building at Clinton street and Jackson Boulevard, Chicago, was built in 1911-12 and was thought to be fireproof in every respect. In a disastrous fire on March 15, 1922, the whole block of old buildings east of the Burlington offices were destroyed, and the contents of the upper seven floors of the general offices were burned.

There was a preliminary inspection made immediately after the fire which proved that the fault lay in the construction of the windows. The windows on the court and alley frontage were of wire glass in hollow metal frames, but those on the street frontage were of plate glass and wood frames( except those opposite the fire escapes). When the flames from the east struck the building they broke almost all of the windows and started a separate fire on each floor. All of the other buildings were old and highly combustible, especially an eight story building that cover considerable ground area. The Burlington building proved to be a barrier that saved several other blocks of business houses to the westward, as all of them were old. The building was repaired immediately and most of the records lost were made up from separate division reports and files that included most of the important data.



A separate department is maintained for the relief and benefit of employees who are injured or sick while in the service. This was established thirty-three years ago and has been a very great aid to the employees, especially those who are in dangerous occupations and are subjected to minor injuries many times. A record of the receipts and disbursements of this department for 1921 shows the following figures:

Contributed by members	-----	\$589,831.90
Redemption of bonds	-----	275,000.00
Income from investments	-----	<u>25,531.25</u>
		890,362.15
Benefits paid	-----	610,702.95
Int. on money advanced by railroad	----	6,124.43
Purchase of bonds	-----	<u>278,400.00</u>
		895,227.38
		\$4,864.38

During the year 1921 there 201 members died and 76 withdrew from membership (as it is not compulsory). The membership on December 31, 1921 was 26,771; in addition to this there were 1,317 persons who were members in respect to death benefit only, making a total membership of 28,088.

Although it had never had a pension system until the first of this year, the Burlington has always taken care of old employees by giving them easier positions with wages almost as high as they would have received in their regular positions. This was not very satisfactory as some of these places needed to be filled with younger men and the older men deserved a complete rest rather than just a "set-back". The



company realized that now and in the succeeding years the numerous employees, including officers, who have given the best years of their life in the service of the Burlington, should be given some tangible evidence of the gratitude of the company. The age at which the employees can take advantage of the pension is 65 years for trainmen, enginemen, yardmen and foremen in the track and bridge service, but each have to be passed upon (examined) by the Board of Pensions.

The age of 70 is set by the board for all other employees. No one who has been in continuous service for less than twenty years shall be eligible, unless special provision has been made for the time that he was not in the service. The pension allowance per month is based on the average monthly wage received for the ten years preceeding the retirement, and shall be 1% of that amount for each year of continuous service; but in no case shall the allowance be less than one dollar for each year of continuous service nor less than \$25. per month; and in no case greater than \$150. per month. The pension allowances do not debar a retired employee from engaging in other businesses that are not preducial to the interests of the railroad, but no such retired employee shall again re-enter the service of the company except for purely temporary service during an emergency.

In conclusion, I might say that although the Burlington is far from being a perfect transportation system, it is one of the best in the middle west and well deserving of the title that Van Oss used, "The Pennsylvania of the West". Our exis-



tence as a nation may be well said to depend upon the efficiency of our railroads and the maintenance of their credit. The Burlington has the strongest financial standing of any railroad at the present time and it is safeguarding it.

In Professor Ripley's plan of reorganization of the transportation system of the United States, the Burlington would be in a system with the Northern Pacific, Great Western, Missouri and St. Louis and the Spokane, Portland and Seattle. Under this plan the rates would be regulated by statutory legislation and Professor Ripley thinks that this process would prove an incentive sufficiently powerful to induce the stronger companies to merge with the weaker ones. This compulsory consolidation would tend to make a reduction in the carrier operations to a common denominator and bring about a management that would be more efficient and economical. There would be three primary requirements in order to make the plan a success:

1. There shall be competition in the service rendered.
2. The existing routes and channels of commerce shall not be disturbed.
3. There shall be an open account of the financial aspects of such mergers.

Such a plan will possibly be worked out when the business of the country is normal; when the labor disputes have all been settled and the spirit of cooperation between the unions and the operating managements is felt to a higher degree - but not until that time.





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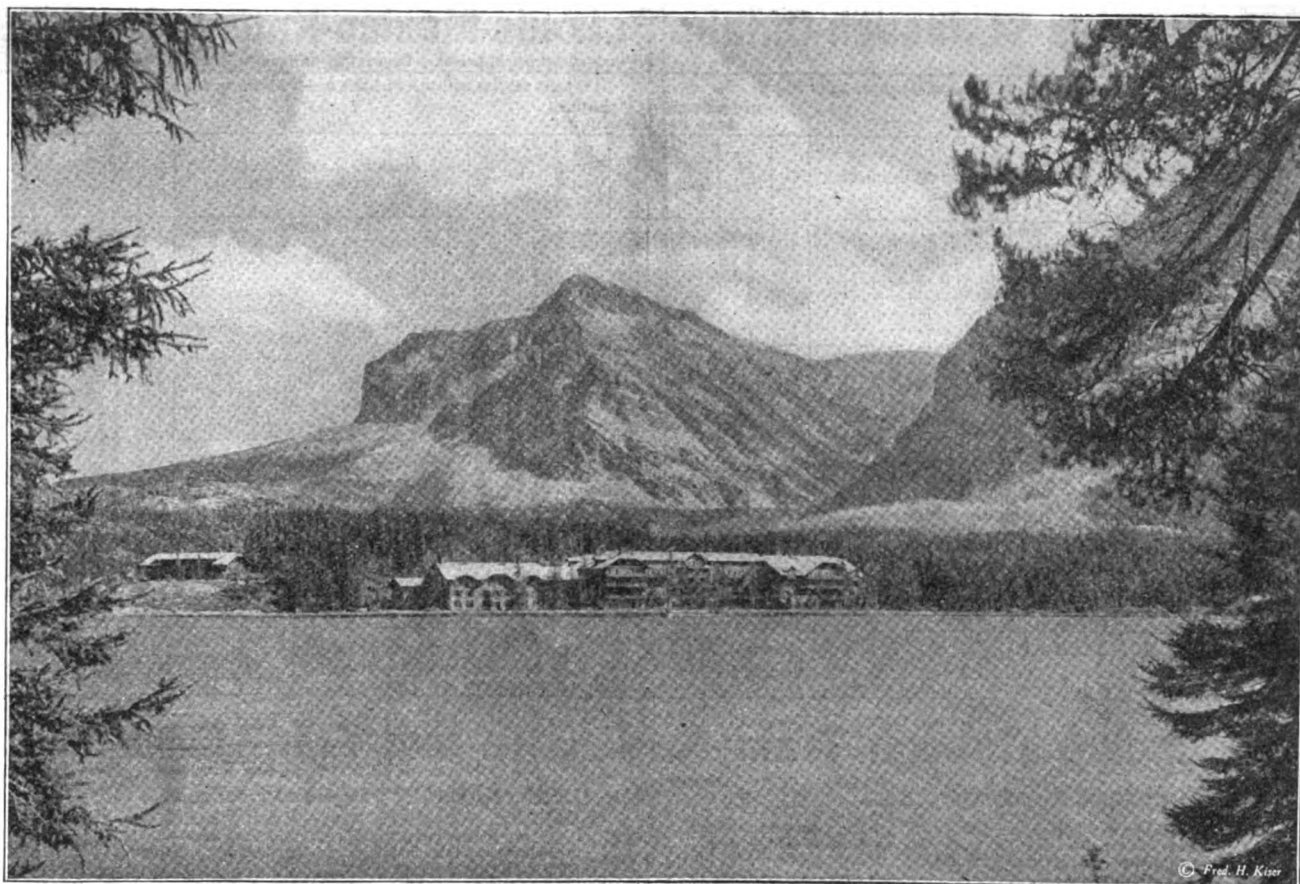






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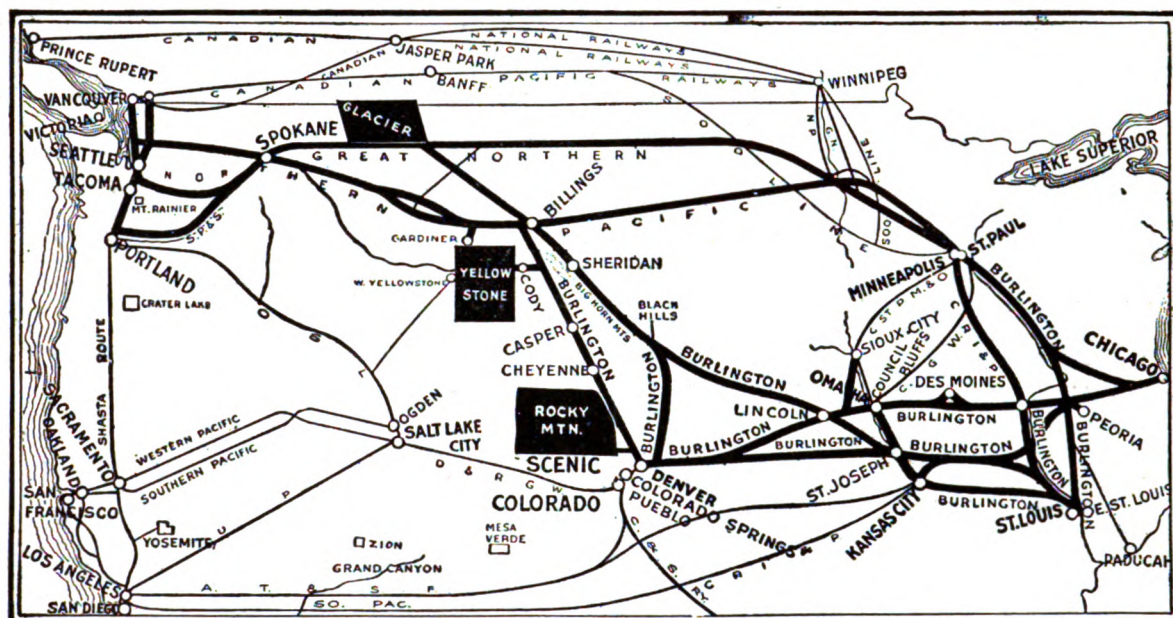


## The Most Talked-of Place in America

by out-of-doors folks is Glacier National Park. Fifteen hundred square miles of breathing space—loafing room—think of it!—forests, sparkling streams, waterfalls, mountain lakes, slow-moving glaciers, majestic peaks and myriads of wild flowers. If you are a fisherman, there are mountain trout to battle with. If you are a hiker, there are sky-line trails to follow. If you love to ride, a sturdy mountain pony will carry you along the Continental Divide. Rowboat and launch service for those who prefer to explore the waters. There are scores of ideal camping spots. The chalets are picturesque tarrying places. Two mammoth mountain inns provide elaborate accommodations. For a vacation that is different, choose Glacier National Park.

The *New Oriental Limited* from Chicago and the *Great Northern Express* from Kansas City and St. Joseph (direct connection from St. Louis, Omaha and Denver), via the Burlington, take you direct to the Park.

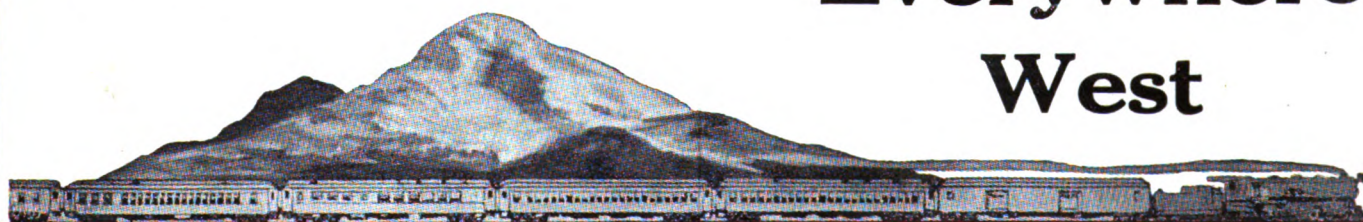




THE MAP SHOWS HOW  
THE  
**BURLINGTON**  
—Route of Greatest Comfort

Takes You

Everywhere  
West







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T H E            I N D E X .





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**EVERY  
WHERE  
WEST**

**Burlington  
Route**

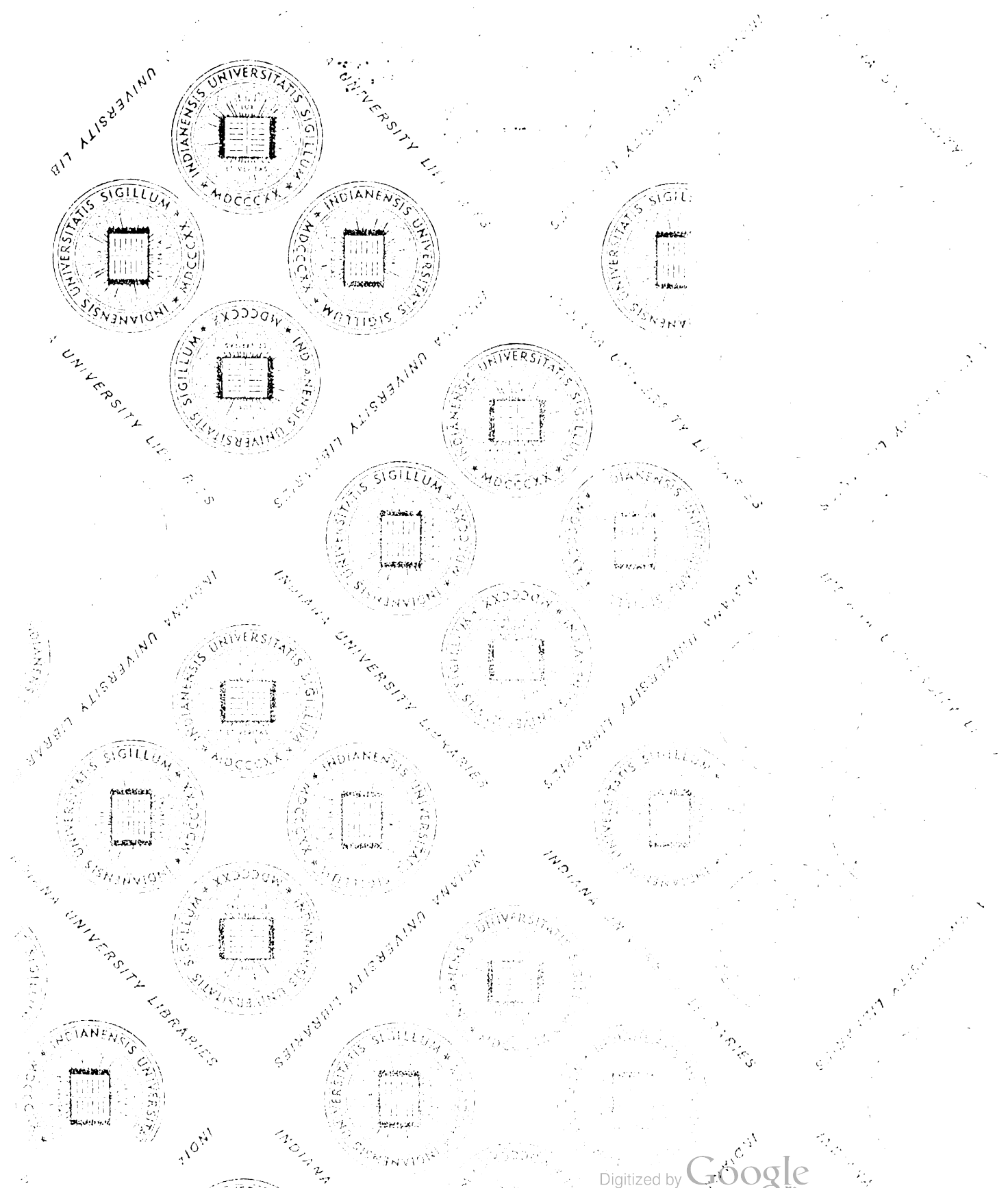
**THE  
NATIONAL  
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THIS VOLUME DOES NOT  
CIRCULATE

APR. 69



ALF Collections Vault



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